

Hemisphere Energy Announces 2025 First Quarter Results, Declares Quarterly Dividend, Renews Credit Facility, and Provides Operations Update

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Vancouver, May 22, 2025 - [Hemisphere Energy Corp.](#) (TSXV: HME) (OTCQX: HMENF) ("Hemisphere" or the "Company") provides its financial and operating results for the first quarter ended March 31, 2025, declares a quarterly dividend payment to shareholders, renews credit facility, and provides operations update.

Q1 2025 Highlights

- Attained record quarterly production of 3,833 boe/d (99% heavy oil), a 21% increase over the same period of last year.
- Generated \$27.3 million in revenue, a 30% increase over the first quarter of 2024.
- Achieved total operating and transportation costs of \$14.63/boe.
- Delivered an operating netback¹ of \$17.0 million, or \$49.27/boe.
- Realized quarterly adjusted funds flow from operations ("AFF")¹ of \$12.7 million, or \$36.83/boe, a 26% increase over the first quarter of 2024.
- Generated free funds flow¹ of \$11.5 million, or \$0.12 per share.
- Distributed \$2.4 million, or \$0.025 per share, in dividends to shareholders during the quarter.
- Purchased and cancelled 709,700 shares for \$1.3 million under the Company's Normal Course Issuer Bid ("NCIB").
- Exited the first quarter with positive working capital¹ of \$14.1 million, compared to \$4.2 million at the end of March 2024.

(1) Operating netback, adjusted funds flow from operations (AFF), free funds flow, capital expenditure, and working capital are non-IFRS measures, or when expressed on a per share or boe basis, non-IFRS ratio, that do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Non-IFRS financial measures and ratios are not standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Refer to the section "Non-IFRS and Other Specified Financial Measures".

Selected financial and operational highlights should be read in conjunction with Hemisphere's unaudited condensed interim consolidated financial statements and related notes, and the Management's Discussion and Analysis for the three months ended March 31, 2025 which are available on SEDAR+ at www.sedarplus.ca and on Hemisphere's website at www.hemisphereenergy.ca. All amounts are expressed in Canadian dollars unless otherwise noted.

Financial and Operating Summary

(\$000s except per unit and share amounts)	Three Months Ended March 31	
	2025	2024
FINANCIAL		
Petroleum and natural gas revenue	\$ 27,339	\$ 20,961
Operating field netback ⁽¹⁾	17,179	12,958
Operating netback ⁽¹⁾	16,994	13,125
Cash flow provided by operating activities	16,181	2,684
Adjusted funds flow from operations (AFF) ⁽¹⁾	12,703	10,087
Per share, basic and diluted ⁽¹⁾	0.13	0.10
Free funds flow ⁽¹⁾	11,497	4,438

Net income	8,942	6,778
Per share, basic and diluted	0.09	0.07
Dividends	2,428	2,471
Per share, basic	0.025	0.025
NCIB share repurchases	1,301	1,166
Capital expenditures ⁽¹⁾	1,206	5,649
Working capital ⁽¹⁾	14,052	4,210
OPERATING		
Average daily production		
Heavy oil (bbl/d)	3,814	3,110
Natural gas (Mcf/d)	111	135
Combined (boe/d)	3,833	3,133
Oil weighting	99%	99%
Average sales prices		
Heavy oil (\$/bbl)	\$ 79.58	\$ 73.96
Natural gas (\$/Mcf)	2.05	2.26
Combined (\$/boe)	\$ 79.26	\$ 73.53
Operating netback (\$/boe)		
Petroleum and natural gas revenue	\$ 79.26	\$ 73.53
Royalties	(14.63)	(13.83)
Operating costs	(11.68)	(11.14)
Transportation costs	(3.15)	(3.10)
Operating field netback ⁽¹⁾	49.80	45.46
Realized commodity hedging gain (loss)	(0.53)	0.58
Operating netback ⁽¹⁾	\$ 49.27	\$ 46.04
General and administrative expense	(3.74)	(3.57)
Interest expense and foreign exchange loss	(0.27)	(0.46)
Tax expense provision	(8.43)	(6.63)
Adjusted funds flow from operations ⁽¹⁾ (\$/boe)	\$ 36.83	\$ 35.38

Note:

(1) Non-IFRS financial measure that is not a standardized financial measure under IFRS Accounting Standards ("IFRS") and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Non-IFRS and Other Financial Measures".

COMMON SHARES	May 21, 2025	March 31, 2025	December 31, 2024
Common shares outstanding	96,643,952	96,983,982	97,389,735
Stock options outstanding	5,266,600	5,441,600	6,021,600
Total fully diluted shares outstanding	101,910,552	102,425,582	103,411,335

Quarterly Dividend

Hemisphere is pleased to announce that its Board of Directors has approved a quarterly cash dividend of \$0.025 per common share in accordance with the Company's dividend policy. The dividend will be paid on June 30, 2025 to shareholders of record as of the close of business on June 19, 2025. The dividend is designated as an eligible dividend for income tax purposes.

Including Hemisphere's special dividend of \$0.03 per common share paid in April and base quarterly dividends of \$0.025 per common share in February and June, Hemisphere will have paid its shareholders \$0.08 per common share in dividends during the first half of 2025.

Credit Facility

The Company has completed its annual bank review and renewed its \$35.0 million two-year extendible credit facility with the same key terms, and the next annual review date set for May 31, 2026.

Operations Update

With the majority of Hemisphere's 2025 capital spending scheduled for the latter half of the year, the Company generated \$11.5 million in free funds flow during the first quarter. Current second quarter production of approximately 3,800 boe/d (99% heavy oil, field estimates between April 1 - May 15, 2025) is consistent with that of the first quarter, and represents an increase of 13% over fourth quarter production of 3,359 boe/d (99% heavy oil), due both to downtime in November and continued injection support from Hemisphere's polymer floods at its Atlee Buffalo projects in southeast Alberta.

At Hemisphere's Marsden pilot polymer flood project, injection continues to repressure the reservoir. Management anticipates that polymer response could take until late 2025, at which time the Company will determine economics of further development.

Management continues to closely monitor the volatility of the oil market and will adjust capital spending accordingly. With over \$14 million in working capital and an undrawn credit line, Hemisphere will prioritize shareholder returns, share buybacks, and potential acquisition activity over accelerated capital spending.

Annual General and Special Meeting of Shareholders

Hemisphere's Annual General and Special Meeting of Shareholders will be held at 10:00 am (Pacific Daylight Time) on June 2, 2025 in the Walker Room of the Terminal City Club located at 837 West Hastings Street, Vancouver, British Columbia.

About Hemisphere Energy Corporation

Hemisphere is a dividend-paying Canadian oil company focused on maximizing value-per-share growth with the sustainable development of its high netback, ultra-low decline conventional heavy oil assets through polymer flood enhanced oil recovery methods. Hemisphere trades on the TSX Venture Exchange as a Tier 1 issuer under the symbol "HME" and on the OTCQX Venture Marketplace under the symbol "HMENF".

For further information, please visit the Company's website at www.hemisphereenergy.ca to view its corporate presentation or contact:

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Forward-Looking Statements

Certain statements included in this news release constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In particular, but without limiting the generality of the foregoing, this news release includes forward-looking statements including that Hemisphere plans to spend the majority of its 2025 capital spending for the latter half of the year, that Hemisphere's management will see a response from the pilot polymer flood project in late 2025 and will determine economics of further development, the next scheduled review date for its credit facility, the timing for its annual shareholder meeting, that Hemisphere may adjust capital spending depending on oil market volatility, that the Company will prioritize shareholder returns, share buybacks, and potential acquisition activity over accelerated capital spending, and that a dividend will be paid June 30, 2025 to shareholders of record as of the close of business on June 19, 2025 and aggregate dividend payments for the first half of 2025.

Forward-looking statements are based on a number of material factors, expectations or assumptions of Hemisphere which have been used to develop such statements and information but which may prove to be incorrect. Although Hemisphere believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking

statements because Hemisphere can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the current and go-forward oil price environment; that Hemisphere will continue to conduct its operations in a manner consistent with past operations; that results from drilling and development activities are consistent with past operations; the quality of the reservoirs in which Hemisphere operates and continued performance from existing wells; the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Hemisphere's reserve volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund Hemisphere's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Hemisphere operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Hemisphere to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Hemisphere has an interest in to operate the field in a safe, efficient and effective manner; the ability of Hemisphere to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Hemisphere to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Hemisphere operates; and the ability of Hemisphere to successfully market its oil and natural gas products.

The forward-looking statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Hemisphere's products, the early stage of development of some of the evaluated areas and zones; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Hemisphere or by third party operators of Hemisphere's properties, increased debt levels or debt service requirements; inaccurate estimation of Hemisphere's oil and gas reserve volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in Hemisphere's public disclosure documents, (including, without limitation, those risks identified in this news release and in Hemisphere's Annual Information Form).

The forward-looking statements contained in this news release speak only as of the date of this news release, and Hemisphere does not assume any obligation to publicly update or revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS and Other Financial Measures

This news release contains the terms adjusted funds flow from operations, free funds flow, capital expenditures, operating field netback, operating netback, and working capital/net debt, which are considered "non-IFRS financial measures" and any of these measures calculated on a per boe basis, which are considered "non-IFRS financial ratios". These terms do not have a standardized meaning prescribed by IFRS. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Investors are cautioned that these measures should not be construed as an alternative to net income (loss) or cashflow from operations determined in accordance with IFRS and these measures should not be considered more meaningful than IFRS measures in evaluating the Company's performance.

a) Adjusted funds flow from operations ("AFF") (Non-IFRS Financial Measure and Ratio if calculated on a per share or boe basis): The Company considers AFF to be a key measure that indicates the Company's ability to generate the funds necessary to support future growth through capital investment and to repay any debt. AFF is a measure that represents cash flow generated by operating activities, before changes in non-cash working capital and adjusted for decommissioning expenditures and may not be comparable to measures used by other companies. The most directly comparable IFRS measure for AFF is cash provided by operating activities. AFF per share is calculated using the same weighted-average number of shares outstanding as in the case of the earnings per share calculation for the period.

A reconciliation of AFF to cash provided by operating activities is presented as follows:

(\$000s, except per share amounts)	Three Months Ended March 31	
	2025	2024
Cash provided by operating activities	\$ 16,181	\$ 2,684
Change in non-cash working capital	(3,503)	9,281
Adjust: Tax provision ⁽¹⁾	-	(1,888)
Adjust: Decommissioning obligation expenditures	25	10
Adjusted funds flow from operations	\$ 12,703	\$ 10,087
Per share, basic and diluted	\$ 0.13	\$ 0.10

Note:

(1) Provision for income taxes deferred under new corporate partnership structure effective as of January 2, 2024.

b) Free funds flow ("FFF") (Non-IFRS Financial Measure): Calculated by taking adjusted funds flow and subtracting capital expenditures, excluding acquisitions and dispositions. Management believes that free funds flow provides a useful measure to determine Hemisphere's ability to improve returns and to manage the long-term value of the business.

(\$000s, except per share amounts)	Three Months Ended March 31	
	2025	2024
Adjusted funds flow	\$ 12,703	\$ 10,087
Capital expenditures	(1,206)	(5,649)
Free funds flow	\$ 11,497	\$ 4,438
Per share, basic and diluted	\$ 0.12	\$ 0.04

c) Capital Expenditures (Non-IFRS Financial Measure): Management uses the term "capital expenditures" as a measure of capital investment in exploration and production assets, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable IFRS measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures is set forth below:

(\$000s)	Three Months Ended March 31	
	2025	2024
Cash used in investing activities	\$ 3,465	\$ 3,684
Change in non-cash working capital	(2,259)	(1,965)
Capital expenditures	\$ 1,206	\$ 5,649

d) Operating field netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis): A benchmark used in the oil and natural gas industry and a key indicator of profitability relative to current commodity prices. Operating field netback is calculated as oil and gas sales, less royalties, operating expenses, and transportation costs on an absolute and per barrel of oil equivalent basis. These terms should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income or loss as determined in accordance with IFRS as an indicator of the Company's performance.

e) Operating netback (Non-IFRS Financial Measure and Ratio if calculated on a per boe basis): Calculated as the operating field netback plus the Company's realized gain (loss) on derivative financial instruments on an absolute and per barrel of oil equivalent basis.

f) Working Capital/Net debt (Non-IFRS Financial Measure): Closely monitored by the Company to ensure that its capital structure is maintained by a strong balance sheet to fund the future growth of the Company. Working capital/Net debt is used in this document in the context of liquidity and is calculated as the total of the Company's current assets, less current liabilities, excluding derivative financial instruments, decommissioning obligations, lease liabilities, and tax provisions, and including any bank debt. There is no IFRS measure that is reasonably comparable to working capital/net debt.

The following table outlines the Company calculation of working capital/net debt:

(\$000s)	As at March 31, 2025	As at December 31, 2024
Current assets ⁽¹⁾	\$ 31,130	\$ 22,677
Current liabilities ⁽¹⁾	(17,078)	(7,656)
Adjust: Tax provision ⁽²⁾	-	(8,603)
Working capital	\$ 14,052	\$ 6,418

Notes:

(1) Excluding fair value of financial instruments, decommissioning obligations, and lease liabilities.

(2) Provision for income taxes deferred under new corporate partnership structure effective as of January 2, 2024.

g) Supplementary Financial Measures and Non-IFRS Ratios

"Adjusted Funds Flow from operations per basic share" is comprised of funds from operations divided by basic weighted average common shares.

"Adjusted Funds Flow from operations per diluted share" is comprised of funds from operations divided by diluted weighted average common shares.

"Annual Free Funds Flow" is comprised of free funds flow from the current three-month period multiplied by four.

"Operating expense per boe" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total production.

"Realized heavy oil price" is comprised of heavy crude oil commodity sales from production, as determined in accordance with IFRS, divided by the Company's crude oil production.

"Realized natural gas price" is comprised of natural gas commodity sales from production, as determined in accordance with IFRS, divided by the Company's natural gas production.

"Realized combined price" is comprised of total commodity sales from production, as determined in accordance with IFRS, divided by the Company's total production.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the Company's total production.

"Transportation costs per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Company's total production.

The Company has provided additional information on how these measures are calculated in the Management's Discussion and Analysis for the year ended December 31, 2024 and the interim period ended March 31, 2025, which are available under the Company's SEDAR+ profile at www.sedarplus.ca.

Oil and Gas Advisories

Any references in this news release to initial production rates (including as a result of recent water or polymer flood activities) are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Such rates are based on field estimates and may be based on limited data available at this time.

A barrel of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Definitions and Abbreviations

bbl	Barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	Mcf/d	thousand cubic feet per day
\$/bbl	dollar per barrel	\$/Mcf	dollar per thousand cubic feet
boe	barrel of oil equivalent	IFRS	International Financial Reporting Standards
boe/d	barrel of oil equivalent per day		

\$/boe dollar per barrel of oil equivalent

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